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Special Report: the South

Preview: SIDA's 78th Annual Meeting

South/North: markets in transition

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South/North: Markets in transition

Throw away the image of a languid South specializing in cotton, textiles, tobacco and furniture—light years behind the rest of the country. The catchwords in today's modernized South are electrical and non-electrical machinery, primary metals, paper, chemicals, petroleum and coal, transportation products, rubber and plastics. A vibrant, diversified economy has narrowed the gap in per-capita income, constructed a modern transportation network, new schools, industrial parks and urban centers, attracted brand new industry. And not at the expense of the industrialized North.

The North has seen some of its "muscle" move southward, but contrary to what many believe, not enough to make a major difference. The North is doing an about-face with dynamic new high-tech industries in EDP, scientific instruments, finance and a multitude of services PLUS a revitalization of productive capacity in its established industries. The North's traditional emphasis on manufacturing has given way to a more innovative mix, better insulated against economic cycles.

North or South—the opportunities for industry and for its multitudinous services, distribution included, have never been as good or better.

By Senior Editors Ron Kolgraf and Gregory W. Miller

eral Reserve Bank of Boston's Browne. She warns against equating the current South with the South of the 50's or 60's. "The South traditionally had a developing country economy," indicates David Rolley, economist with the U.S. Chamber of Commerce. "Its main industries were light industries, with Third World-type exports after agriculture of light manufacturing, textiles and furniture. With the South's growth in personal income, there has been diversification into higher products." The South now has the manpower, and can offer an increasingly skilled labor force to employers.

The high-tech North

The recession of 1974-1975 hurt the Northeast more than any other part of the country. This is an area where much of the nation's oldest cities and industries and manufacturing are located. Energy costs are high, transportation and other public services, sewer systems for example, in varying states of decay, and weather harsh part of the year.

However, the region, especially New England, has recovered well, albeit slowly, thanks to a very gradual change in the nature of its industries. It is now having a resurgence, led by new firms, notably in the high technology fields such as electronics and EDP (computers). Area brainpower centers like MIT, Harvard, Dartmouth, Brown, etc., are producing a more innovative, aggressive, learned generation of entrepreneurial and middle-management talent who found or run companies keyed into today's technologies and markets. Further, the region, entrenched in a tradition of fine craftsmanship, work ethic and education, offers a well-above-normal grade of labor. "And the South is not about to pirate them away," claims Browne.

The nature of industry in New England has revitalized the area. "There is an extremely high proportion of new jobs in the area because of the computer relationship," admits Williams. "It's tough to put a computer manufacturer in the middle of Mississippi or Alabama

'An urban state will have more problems than a rural one.'—*Janisch*

because the talent in large numbers isn't there, and is probably not recruitable." (Although Albert Niemi, professor and director of the Office of Economic Research at Georgia University, Athens, Ga., indicates that IBM will found a large new facility in Athens that will employ 5000 people over the next few years.)

Towns in rural New Hampshire are benefiting from the influx of high tech industries. Just over the Massachusetts-New Hampshire border can be found a host of sprawling corporate and assembly enterprises in EDP and other industries, refugees from higher taxes in Massachusetts. Nashua, N.H., an ex-mill town, is now home for a number of such large corporate arms.

Connecticut is also doing well, mainly as the result of a number of long-term Defense Dept. contracts. Many industrial distributors are taking advantage of this opportunity. The *Wall Street Journal* points out that Burlington, Vt., is doing well, not just with a bustling ski industry, but with a new Digital Equipment Corp. plant for one. Only Rhode Island seems to be in a holding pattern, with construction down and so-so industrial growth.

Many localities in the North are trying to fight back against the South, offering the same kind of tax incentives for companies staying or relocating there that the South traditionally has designed to attract industry. There is talk of loosening some environmental standards, waiving or deferring some taxes, and offering cheaper land for relocation—all strategies successfully employed by the southern states in the past. Municipal industrial development bonds provide relatively low interest loan financing for corporate operations. Bonds are guaranteed by cities or counties, according to the U.S. Chamber of Commerce, making it easier for manufacturers to float the bonds.

The biggest problem many northern locations have is getting the capital to make improvements in roads, sewers, etc., without taxing corporations right out of the state. Contrary to popular belief, wages in the Northeast are low, second only to those in the South Atlan-

'Super-growth' communities in the South, 1970-76...

Florida
Fort Myers/Fort Pierce
Fort Lauderdale
Sarasota
Tampa-St. Petersburg
Lakeland-Winter Haven
Orlando
Daytona Beach
Gainesville
Jacksonville
Tallahassee
Panama City
Pensacola
Palm Beach

South Carolina
Greenville-Spartanburg
Anderson
Columbia
Charleston
Myrtle Beach

North Carolina
Charlotte
Winston-Salem
Greensboro
Chapel Hill
Raleigh-Durham
Fayetteville
Wilmington

Kentucky
Hopkinsville
Lexington
Pikeville

Virginia
Blacksburg
Charlottesville
Norfolk-Portsmouth-Virginia Beach

Texas
Brownsville
McAllen-Brownsville
Corpus Christi
Austin
Killeen-Temple
El Paso
Lubbock
Tyler
Bryan-College Station
San Antonio

Oklahoma
Norman

Arkansas
Little Rock
Fayetteville

Louisiana
Baton Rouge
Monroe
Shreveport
Lafayette

Mississippi
Pascagoula-Moss Point
Biloxi-Gulfport
Jackson
Memphis (suburbs)

Alabama
Mobile
Dothan
Montgomery
Anniston
Birmingham

Tennessee
Memphis
Nashville
Knoxville
Clarksville

And how their states are projected to grow: 1980-2000.

10.1% (Ala.)	17.0% (La.)	17.1% (S.C.)
29.1% (Ark.)	11.8% (Miss.)	20.5% (Tenn.)
47.2% (Fla.)	24.8% (N.C.)	32.6% (Texas)
15.8% (Ky.)	18.9% (Okla.)	25.1% (Va.)

(Sources: Communities, Stephens Associates, Raleigh, N.C.; projections, Bureau of Economic Analysis)

tic states. The highest wages paid are in Ohio and Illinois. Wages in New England are now 91.2% of the national average, according to Chase Econometrics Associates, Inc.

The real key to growth in a region, according to the experts, is new companies. Tax breaks only go so far. Boston College's Hekman contends that regions don't grow old, products do. "Mature, large scale production...stresses mechanization and low-skill rather than high-skill labor. Mature industries look for locations that have low labor costs and ready access to markets."

New companies then are the keys to a region's development. California claims the largest number of new companies each year, followed by Massachusetts. The South is gaining its share of new companies too. "If a company is new and or expanding, there is a good chance that it will grow up outside the traditional Northeast and North industrial heartland and go into the open spaces of the South," says Bruce Williams of the First National Bank of Atlanta.

Roger W. Schmenner of the Harvard Business School and the Harvard-MIT Joint Center for Urban Studies, in an analysis funded by the Office of Economic Research for the Commerce Dept., hits on what seems to be the trend in the U.S. market today: a convergence of regions and markets.

"As time and technology have moved forward, the country's regions have become increasingly homogeneous in the sense that New England and the Midwest are relatively less dependent on manufacturing jobs than they used to be. And the South and West are now much more dependent on manufacturing than they used to be. The industrial base is becoming more and more diverse."

The new image can be seen in a great narrowing of the per capita income gap in the nation and the amount of Federal expenditures by state, notably Federal expenditures in regions compared to Federal revenue received from regions. "Poorer regions" have paid an increasing amount of tax money to the Fed as income gaps have narrowed, according to the Advisory Commission on Intergovernmental Relations in Washington. In her study *The Frostbelt and Sunbelt: Convergence Over Time*, Janet Rothenberg Pack notes that the historically richer regions of the Mideast, Far West, New England and Great Lakes are relatively less rich now. The historically poorer regions, the Southeast, the Plains States, and the Mountain States, are relatively less poor now. In 1979, the highest per capita income in the U.S.—in the Far West—was only 11% above the U.S. average. The lowest per capita income—in the Southeast—was only 14% below (that gap is now probably narrower with cost of living adjustments made). According to Commerce Dept. figures, in 1963, that range extended from a low per capita income of 76% to a high of 117%. In 1923, the low was 53%, the high was 137%.

- Per capita income in the Northeast is $7900 (1% above the national avg.)
- Per capita income in the Great Lakes is $8224 (5% above the national avg.)
- Per capita income in the Mideast is $8230 (5% above the national avg.)
- Per capita income in the Southeast is $6773 (14% below the national avg.)
- Per capita income in the Far West is $8812 (12% above the national avg.)

The trend is toward a national norm.

The South: population growth projections, 1980-2000 (in millions)

	1980	1990	2000	total increase
U.S. (total)	226.859	248.213	265.078	16.8%
Alabama	3.759	3.948	4.140	10.1%
Arkansas	2.300	2.707	2.970	29.1%
Florida	10.225	12.904	15.049	47.2%
Georgia	5.429	6.189	7.053	29.9%
Kentucky	3.647	3.977	4.224	15.8%
Louisiana	3.983	4.316	4.659	17.0%
Maryland	4.405	5.007	5.583	26.7%
Mississippi	2.451	2.595	2.740	11.8%
North Carolina	5.946	6.731	7.419	24.8%
Oklahoma	2.857	3.124	3.396	18.9%
South Carolina	3.160	3.459	3.700	17.1%
Tennessee	4.625	5.183	5.573	20.5%
Texas	13.627	16.002	18.069	32.6%
Virginia	5.400	6.041	6.755	25.1%
West Virginia	1.950	2.006	2.003	2.7%
Selected Northern states				
Massachusetts	5.970	6.338	6.614	10.8%
New York	18.264	18.811	18.922	3.6%
Illinois	11.582	12.000	12.358	6.7%

(Source: Bureau of Economic Analysis)

- Projections for growth in 11 of the 15 Southern states are greater than the national average. Why? Analysts point to one overwhelming reason—that's where the most economic development is expected to come in the next 20 years.
- Although the South as a whole is gaining population at a fast rate, the increases are uneven. West Virginia, for example, looks forward to less than 3% growth on a base of fewer than 2 million. Florida, on the other hand, is expected to continue its population boom, with an accompanying boost in industrial strength.
- The Northern states are less likely to show significant increases for another reason: their already large populations. For example, Massachusetts is expected to gain 644,000 residents by 2000, while Arkansas' forecast is for an additional 670,000. However, because of their differing population bases, Arkansas' percentage increase is 29.1, while Massachusetts' is only 10.8.

Manufacturing

According to ACIR's Rothenberg study, manufacturing has dispersed throughout the entire country, after having been the nearly exclusive domain of the seemingly top-heavy North for so long. In 1910, 70% of the manufacturing employment in the U.S. was in the Northeast, the Mideast, and the Great Lakes. The Southeast accounted for 12.7% of the manufacturing total. Sixty years later, the Southeast nearly doubled its share of the total. In 1975, the Southeast accounted for a far healthier 21.6%. The latest industries to pace southern manufacturing growth include metal working, general industrial bearings, office and computing machinery, refrigeration, engine parts, says Evan Brunson, Southern Growth Policies Board.

Clemson's Yandle uses figures from a major sales and marketing publication to track the growth in southern manufacturing. Based on share of manufacturers' value of shipments, the Northeast's share in 1974 was 6.4%. In 1979, it was 5.9%. The Midwest's share was 22% in 1974, and 18% in 1979. The Great Lakes region lost 1% of its share.

On the other hand, the Southeast, with 16.9% in 1974, increased to 20.7% in 1979. The Far West edged up from 9.6% in 1974 to 9.7% in 1979.

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To be sure, the appeal of the South and the Sunbelt to people and to industry continues. The climate remains an advantage, with less downtime and absenteeism than the North, in winter.

Labor is more organized in the North than in the South, making the South more inviting for some businesses. The South is being unionized gradually, but it will be some time before it catches up to the North.

On the other hand, counters Williams, the South is hardly a region of sweatshops with its masses living on the edges of poverty. Compensation in many areas competes favorably with compensation in the North. Atlanta-based Delta Airlines, for one, not only compensates its employees on a par with airlines in the North but enjoys an enviable reputation for efficiency and productivity.

Another advantage the South claims over the North is its energy. New England is at the end of the pipeline so fuel costs are high. Sky-high gasoline costs in the North are also a factor to consider in mass transportation of goods. "The South has plentiful and cheaper energy sources and supplies," says NAM's Rettgers. He also points to the fact that the Government regulates interstate, not intrastate, gasoline supplies. Therefore, due to allocation systems by state, some states have more gasoline available for trucks than others. "I predict you'll see more companies moving closer to shale oil sources with the energy rises and the current nuclear woes," says Rettgers. "It's back to coal, and mouth of the mine sources and locations."

The South has a good supply of oil and natural gas. *Nation's Business* points out that a major, "model" oil refinery is coming to Wilmington, N.C., as a test to see if Atlantic Coast refineries are feasible. In addition, all eyes are watching where the Government will build a series of plants to the tune of $88 billion to convert coal and shales to useful energy.

Many schools and universities in the Northeast, and, especially New England, prepare students for careers in high tech and service industries. Many southern schools and universities have focused more on industry and manufacturing offering middle-to-high wages. Through extensive training programs pioneered in several southern states, among them South Carolina and Virginia, firms relocating or starting up in the South are communicating their needs to regional technical and vocational centers which, in turn, train workers and match them to existing job opportunities. Taking off now are programs allowing workers to train on equipment loaned by prospective employers under their own supervisors. Screening and training for prospective employers is usually free of charge.

Training programs in both the North and South key curriculums to regional needs. In the North, schools turn out more professional managers, financial specialists, service pros. In the South, some of the same skills are taught with more emphasis, however, on manufacturing, engineering and basic technical subjects. With decline of manufacturing in the North, computer firms and service industries often outbid manufacturing firms for the top talent.

The South is moving fast in developing a technical base. Virginia Polytechnic Institute has built a technical training complex; Texas A&M, Houston, Western Carolina, Southern Tech, and schools in Florida are among those serving the need of the industrial distributor; and the Winston-Salem Research Triangle Park area, a haven for R&D, is fueled by graduates from Duke, North Carolina and North Carolina State Universities. With the exception of MIT, Lehigh, Drexel, RPI, Stevens and others, there are few technically oriented universities in the North.

The Bureau of Labor Statistics indicates that wholesale trade employment continues to grow in the South. Richard McKenzie, in a report for the American Enterprise Institute, shows that wholesale trade employment was up 27% in the South between 1972-1978. Increase in

'Small companies are the ones that need tax breaks.'—*Myers*

Manufacturing earnings: actual and projected, 1970-2000 (1967 dollars, in millions)

	1970	1980	1990	2000	Increase
U. S. (total)	156,589	216,533	280,419	343,408	122.5%
New England	11,084	13,390	15,810	17,907	61.6%
Mideast	37,624	43,032	48,267	52,641	39.9%
Great Lakes	45,580	63,080	77,758	91,163	100.0%
Plains	9,785	14,181	18,717	23,493	140.0%
Southeast	24,674	41,810	63,024	88,473	258.6%
Southwest	7,671	12,745	19,648	27,890	263.6%
Mountain	1,868	3,326	5,034	7,119	281.1%
Far West	18,041	24,597	31,607	38,938	115.8%

Key:
New England—Conn., Maine, Mass., N.H., R.I., Vt.
Mideast—Del., D.C., Md., N.J., N.Y., Pa.
Great Lakes—Ill., Ind., Mich., Ohio, Wis.
Plains—Iowa, Kan., Minn., Mo., Neb., N.Dak., S.Dak.
Southeast—Ala., Ark., Fla., Ga., Ky., La., Miss., N.C., S.C., Tenn., Va., W.Va.
Southwest—Ariz., N.M., Okla., Texas
Mountain—Colo., Idaho, Mont., Utah, Wyo.
Far West—Calif., Nev., Ore., Wash.

(Source: Bureau of Economic Analysis)

- Dispersion of industry is a trend that started decades ago—and will probably continue through the end of the century. The greatest growth of manufacturing earnings is expected in two regions that until recently were relatively underdeveloped: the Southwest and Mountain states.
- The Southeast should also continue on a strong growth trend, more than doubling the national average for manufacturing earnings. Tied to that growth are large increases in population, as well as strength in such manufacturing sectors as nonelectrical machinery, chemicals, and rubber and plastics.
- Contrary to the argument that the South is "stealing" industry from the North, economic growth in one of the Snowbelt's most important regions, the Great Lakes states, is expected to remain strong through the year 2000, although at a rate lower than the national average.

employees in wholesale trade in the West was up 32%. Figures for the North and North Central states: up 9% and 20% respectively.

Growth in suburbia

It was once deemed axiomatic that if you were to be successful in business in a big way, it was necessary to position yourself strategically in an urban center, one reason so many major corporations still operate out of New York, Los Angeles, Chicago, Cleveland, Houston, Dallas and other major metropolitan sites.

According to Keith Wheelock, president of Fantus Co., commercial and industrial relocation specialists, in 1950 the headquarters of nearly 40% of all *Fortune 500* corporations were located in New York and Chicago. Last year, 1979, only 33% of the *Fortune 500* companies still in the New York area were in the suburbs. Some 37% of the *Fortune 500* companies are in the suburbs of Chicago.

Johns-Manville Corp. moved from the heart of Manhattan to a sprawling space-age facility nesting in the mountains outside of Denver; National Gypsum moved from Buffalo to Dallas; Cities Service moved from the financial district of New York City to rustic Asheville, N.C.; Western Electric moved one of its plants to Greensboro, N.C.; Texaco to posh Coral Gables, Fla.

Industrial distribution, among other industrial services, can survive in the smaller urban centers of the U.S. According to a recently published list, many large companies are headquartered in the less populated municipalities: Murphy Oil, annual sales $1.15 billion, in El Dorado, Ark., population 25,283; Liggett (diversified, tobacco), annual sales $943.2 million, in Durham, N.C., population 95,483; Magic Chef (appliances), annual sales $296.8 million, in Cleveland, Tenn., population 20,651; Sonoco (paper products and chemicals), $270.6 million in annual sales in Hartsville, S.C., population 8017; Smith's Transfer (trucking), $193.2 million in Staunton, Va., population 24,504; Associated Coca-Cola (bottler), $189.9 million in Daytona Beach, Fla., population 45,327; J. M. Tull (metals), $108.7 million in Norcross, Ga., population 2755.

"I feel the growth in the South will occur mostly on the outskirt areas of small cities (200,000) and in the suburbs of larger cities. It won't be downtown," says Browne. Williams agrees, pointing to better roads and cheaper land than in downtown areas. This parallels the growth pattern in the North, where many operations have shifted to the suburbs, away from the congestion of the urban areas. Companies in New York have not necessarily flown southward. They've relocated operations and opened branches in neighboring Connecticut, New Jersey and Pennsylvania, as well as in suburban Westchester, Nassau, Rockland and Suffolk Counties. Within New England, there has been a good deal of movement away from urban concentrations. The main beneficiaries from all of this movement in New England are New Hampshire, Connecticut, Maine and Vermont, with Connecticut and New Hampshire enjoying the highest number of inmigrating firms.

George M. Stephens, principal, Stephens Associates, Raleigh, N.C., notes that the non-metropolitan areas now account for 38% of the South's population. These areas grew by 1.8 million, one third of the South's population growth, between 1970-1976.

Labor costs are important, the climate is an important factor, unionization is a key, cost of transporation is vital, yet all of the keys inherent in making a decision to start-up or relocate or open a branch of a company anywhere in the U.S. often comes down to the quality of life factor for management. In surveys performed by relocation management consultants, the integral factors in selecting a location often came down to: low personal income tax (as opposed to corporate); less crime; less congestion; fewer hassles with government regulations; physical geographical attractiveness; good school system; low cost of living; cheaper housing with mortgage availability, and good recreation.

One factor that might throw a wrench into the best-laid plans of managers could be a growing sentiment among legislators to demand advance warning from a company before it relocates. Bills in Congress now would require two years' advance notice of a move, with compensation and benefits for workers (one week's severance pay for each year of employment until new jobs could be found). *The National Employment Priorities Act* (Ford/Riegle) and the *Employee Protection and Community Stabilization Act* (Williams) are backed by the AFL-CIO and UAW. Similar measures in 1974 went nowhere, yet the states of Ohio, Rhode Island, New York, Oregon, Massachusetts, Michigan and New Jersey are looking at measures to prevent

'Population and industry will balance out.'—*Bretzfelder*

companies from pulling up stakes on a whim, thereby disrupting communities. The problem, according to Will S. Myers Jr., senior analyst with the Advisory Commission on Intergovernmental Relations, is "How do you sort out economically based, market-oriented moves from attempts to get out from under regulations or taxes?"

The Mason-Dixon Line

The southern economy has been growing faster than that of the North, at least since the end of World War II. It's been growing for a long time. The only factor that obscured substantial growth in the South for a long time was the disproportionate decline of its southern farm economy, which tended to drag down overall figures.

"Usually this issue is presented in a rather simplistic fashion: the South against the North or the South *stealing* industry from the North. In fact, this is not true, with the possible exception of textiles," exclaims Eugene Janisch, of the projections branch, Regional Economic Analysis Div. of the Bureau of Economic Analysis. "Textiles did indeed move from New England to the South. But that was a phenomenon that started in the 1920's and was over by the 1950's." (Now, according to Jill Thompson of Data Resources Inc., Lexington, Mass., the South is losing textiles to Indochina, which competes favorably with even cheaper labor costs than the South.)

Robert B. Bretzfelder of the BEA points out that the machinery to manufacture textiles is still made in the North, while virtually all of the heavy textiles are made there and the garment industry largely remains in the Northeast.

"The whole concept of the South stealing from the North or vice versa is extremely boring," stresses Janisch. There really isn't any data available to support this thesis. He cites the example of General Electric. It would be hard to say that GE moved from Schenectady, N.Y., to Georgia. "Usually, what you find is that electrical machinery, which represents a heavy generating plant in Buffalo, disappeared and the same classification for the same company came up in Atlanta. You could jump to the conclusion then that electrical machinery went from Buffalo to Atlanta. In fact, you may discover that the facility went to Germany while the Atlanta plant is manufacturing washing machines.

"Or, instead of expanding in upstate New York, they build a plant in Birmingham and eventually the plant in Schenectady is shut down," adds Bretzfelder, "and today it is built in the South instead. It's not usually a case of here's a plant that closes down in the North and reopens in the South."

"If you have a process that requires a lot of tool and die makers and expert machinists, you'd better go look up in Connecticut or Vermont or California, for that matter," says Janisch. Janisch theorizes that population and corporate moves may be an urban-suburban phenomemon. With high income levels, but high wage levels, and high cost of living, the urban state is going to have more problems than a rural state. Indeed, in New England, the more rural states of Maine, Vermont and New Hampshire have increased in population and industrial growth.

From late 1973 to the end of 1978, only New York, New Jersey, Pennsylvania, Maryland, Connecticut, Massachusetts and Illinois have grown at rates *under* the national average. Half of the southern states grew at close to the national average. The other half exceeded the average. But the entire West was well above the national average. "From these figures, we don't see any slowing of the national growth rate," says Bretzfelder. "I doubt that industry is moving from the North. There's simply more growth in other areas."

Howard Friedenberg of the BEA emphasizes that it is the western states that are growing most rapidly. However, he points out, figures can be deceptive. These states started from a smaller base. Any corresponding increases, on a percentage growth basis, really show up. "You'd need quite a bit of growth in absolute terms in heavily industrialized states to achieve the same percentage growth."

A classic example is Alaska, which, through "The Pipeline," grew at an astounding rate, with huge salaries and inflation as a consequence. The situation was not sustained growth though, and when the pipeline ended, Alaska's astounding growth came back down to Earth.

Older states' industry normally grows slower than in newer ones. The more industrialized states in the South: Virginia, the Carolinas, Tennessee and Florida, grew at rates close to the national averrage over the last five years. By contrast, the states in the Southeast not traditionally industrialized: W. Virginia, Kentucky, Alabama, Arkansas, Louisiana, Texas, Mississippi—all grew at rates well above the national average in that time.

Bretzfelder agrees with the demographic theory of *convergence* of the population in the U.S. "But," he adds "there will come a time when urban problems will develop in the new, large cities that will make it less desirable to move there: water problems, air pollution problems and the whole gestalt of the Northeast states. As that happens, distribution of population and industry will likely balance off nationally.

"We all like to think that taxes are a key factor. We all like to point to something and say, the Government is doing this, taxes are doing that, the cost of living is doing this, the unions are doing that, pollution and energy costs are doing that. We're human beings, and it's our nature to want to know the reason and put the problem in little boxes. And that's where this idea of the South versus the North fits in. It's a comfortable little box. But it's also a dangerous concept, pitting one region against another."

"The New South"

By the year 2000, according to census estimates, the population of the South will account for 20 million of the projected 38 million increase in U.S. population. Industry will respond to meeting the market demands of this new group by setting up new facilities.

The well-known growth areas of the South: Tulsa, Oklahoma City, Dallas-Fort Worth, New Orleans, Washington (D.C.), Atlanta, Houston, Miami, will continue to grow, according to George M. Stephens, principal of Stephens Associates, Raleigh, N.C. Yet there will be many new centers of growth (see map) looking for a place in the sun and attracting industry. The population increase has to bring more industry, more jobs, higher income levels, and more disposable capital. Services, like distributors, will continue to grow, supporting manufacturing and supplying local populations, in what Stephens calls "self-generating growth." A consensus of experts agrees that the South will continue the high rate of growth it experienced in the 1960's and 70's, throughout at least the 1980's. As far as market opportunities goes, "that ain't just whistling Dixie." □

22nd annual convention. . .

NEIDI—no longer the poor cousins

At the tail end of a 'very good year,' New Englanders point to strong sales and mature markets as reasons for their optimism about business in the new decade.

HYANNIS, MASS.—"If this is recession, give us more of it," was the catch phrase at the New England Industrial Distributors' 22nd annual convention.

That optimism was clearly illustrated by the number of manufacturers and distributors who turned out for the meeting—nearly 400, some 30 more than last year.

"We're more than gratified at the turnout," said NEIDI assistant secretary Henry J. Lamb. "It's indicative to us of the continued strength of this organization as well as the maturity of the New England market."

This is not to say that New Englanders are going to escape the pressures of the recession, but NEIDI distributors appear less worried now than they would have been a few years ago when faced with similiar circumstances. In fact, New England distributors participating in the *NIDA-SIDA Industrial Distribution Index* actually listed greater sales increases for the first 10 months of 1979 than the national and eastern averages, when comparing 1979 monthly sales levels to those of 1978 (see table).

What is happening? In large part, it appears to be the result of a stable industrial base, at last. At the time of the NEIDI convention, business was still quite good.

"Business has been excellent in southern Connecticut," said J. H. Stagg III, NEIDI president. Surprisingly, said Stagg, manufacturers seemed to feel business wouldn't remain strong during the last quarter, while distributors seemed convinced it would be.

His firm, the Hawley Hardware Co., Bridgeport, services a part of Connecticut that has a large concentration of defense industries and machine tool manufacturers. Defense contracting showed no signs of weakening in the last quarter. The September level of new machine tool orders, for example, was pegged at an astounding 64% above the year-before mark.

Looking at the Connecticut economy from another part of the state, Mark E. Nelson, Apostle-Nelson Inc., Newington, found satisfaction in continuing brisk sales. "I don't see Connecticut being that dramatically affected," the cutting tool specialist and NEIDI secretary-treasurer said.

"We're extremely busy," said Nelson. In part that was due to one of the bases of the local economy—integrated circuit manufacturing.

Also benefiting from the advanced technology fueling the region's performance is Joseph Edinburg, NEIDI first vice president and president of Boston's Chandler & Farquhar Co. "I'm bullish on Massachusetts either way—recession or no recession," Edinburg commented.

He based his optimism on the need for greater operating efficiency and productivity in American business and industry. If there is no recession—or a very slight one—then Bay State distributors will continue along at their current pace, Edinburg reasoned. If there is a recession, and he conceded that one seems likely, there will be greater incentive to computerize to achieve that efficiency.

Massachusetts should benefit in that case because it has a great deal of the computer industry, both hardware and software, resident there, he pointed out.

Stagg acknowledged some softening of business with customers who supply consumer products, but said that industrial accounts should take up the slack, at least in the short term.

New England, despite its gains during 1979, is by no means recession-proof. According to economic studies of the region, manufacturing employment was stronger there during the year than in the rest of the country. Particularly healthy was durable goods manufacturing.

Even so, if anything more than a mild downturn strikes, durable goods are vulnerable to down-shifts in the economy. If economic indicators do turn sour, analysts say, the fast-growing northernmost states of Vermont, New Hampshire and Maine will temper the level of overall decline in the region. The more industrialized economies of New England's southern states are going to encounter greater problems.

Also on the agenda was a discussion of energy.

Ironically, said Dr. David C. White in an address to NEIDI conventioners, there simply is no energy shortage at present. Indeed, he contended, the U.S. has the "energy potential" for 500 years' consumption.

Energy potential—resources that are likely, but not yet proven—is strong in this country, the Massachusetts Institute of Technology professor said.

Fully 70% of that potential is in coal, with 20% in recoverable energy from heavy crude oil, shale and tar sands. Unfortunately, he said, only 10% of total potential resources are in oil and natural gas. Yet, half of energy demand, current and forecasted, is for petroleum.

Since petroleum remains the energy resource of choice, "many crises will continue to crop up," White predicted, largely because dependency on petroleum results in dependency on foreign production.

The forecast: With stable production, steady price hikes ahead of the inflation rate. Without stability, high jumps as seen in the first six months of 1979.

Gregory W. Miller

New England distributor sales running strong...
(1979 sales compared to year-before levels)

	National	East (Me. to Md.)	New England
January	22.3%	18.0%	25.7%
February	22.9%	19.6%	32.8%
March	17.4%	13.9%	22.7%
April	15.2%	10.7%	14.9%
May	15.8%	10.1%	16.6%
June	15.4%	11.6%	19.3%
July	15.8%	18.2%	21.8%
August	18.0%	16.0%	18.5%
September	8.8%	5.9%	19.0%
October	9.7%	7.2%	26.8%

Source: NIDA-SIDA Industrial Distribution Index

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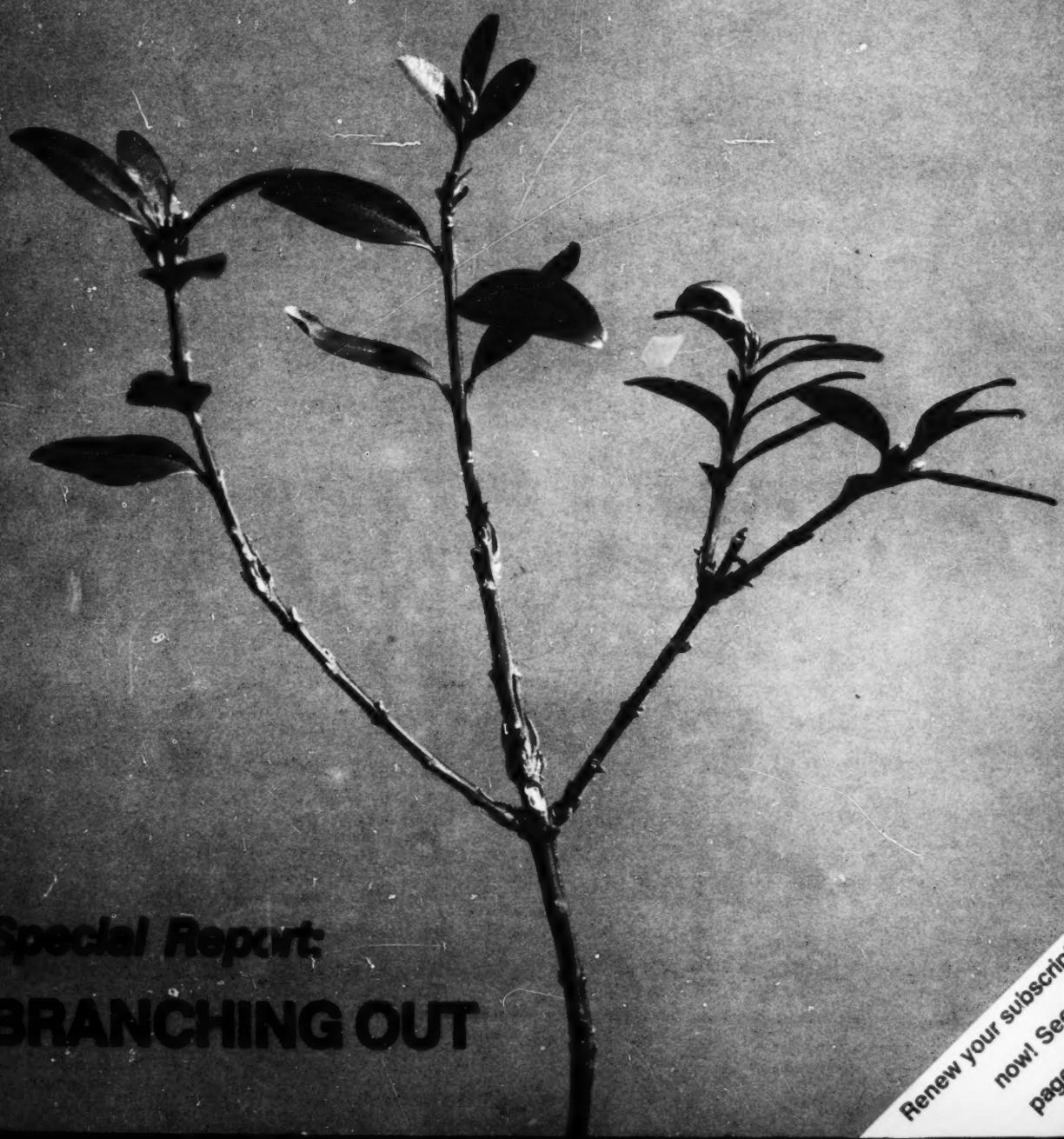
Industrial Distribution

February 1980

Hotline:
20% rise in national R&D to spur opportunities for distributors



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